

**STATE OF CALIFORNIA
DEPARTMENT OF CORPORATIONS**

INFORMATION TO ASSIST PERSONS APPLYING FOR AN INVESTMENT ADVISER CERTIFICATE

The material presented here is to assist persons desiring general background information concerning licensing by the Department of Corporations. No interpretation of any law or regulation is intended. Applicants should obtain copies of the California Corporations Code and the California Code of Regulations.

1. STATUTE & RULES:

The laws and rules governing investment advisers in California are found under the California Corporations Code and Title 10, Chapter 3, California Code of Regulations, respectively:

(a) Corporations Code, Part 3, beginning at Section 25200. These sections of the law relate specifically to broker-dealers and investment advisers. The other sections of the law relate to general securities law.

(b) California Code of Regulations, Title 10, Chapter 3, Subchapter 2, beginning at Section 260.231. The California Code of Regulations may be purchased from Barclays Law Publishers, 400 Oyster Point Blvd., P.O. Box 3066, South San Francisco, CA 94080.

2. FORMS:

FORM ADV –The Form ADV is available on the Department's Website or can be obtained by contacting the local office of the Securities and Exchange Commission ("SEC") or from the SEC's Publication Unit in Washington, D.C. by calling (202) 942-4046, or by sending a written request to: Publications Units, U.S. Securities and Exchange Commission, 450 5th Street, N.W., Mail Stop C-11, Washington D.C., 20549, or by sending an e-mail to publicinfo@sec.gov. There is no charge.

FORM U-10 -- The Uniform Examination Request for Non-NASDR Candidates ("Form U-10") can be obtained by contacting the local office of the National Association of Securities Dealers Regulation, Inc. ("NASDR") or by sending a written request to NASDR, 9513 Key West Avenue, Rockville, MD 20850 or by calling (301) 590-6500.

3. DEFINITIONS:

(a) Investment Adviser is defined in Corporations Code Section 25009 and means any person who, for compensation, engages in the business of advising others, either directly or indirectly through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing or selling securities, or who, for compensation and as a part of a regular business, publishes analyses or reports concerning securities. (This is not a complete definition. See Section 25009).

(b) Investment adviser representative or associated person is defined in Corporations Code Section 25009.5(a) as any partner, officer, director of (or a person occupying a similar status or performing similar functions) or other individual, except clerical or ministerial personnel, who is employed by or associated with, or subject to the supervision and control of, an investment adviser that has obtained a certificate or that is required to obtain a certificate under this law, and who (i) makes any recommendations or otherwise renders advice regarding securities, (ii) manages accounts or portfolios of clients (iii) determines which recommendations or advice regarding securities should be given, (iv) solicits, offers, or negotiates for the sale or sells investment advisory services, (v) supervises employees who perform any of the foregoing.

4. FEES:

(a) A \$125 application fee is required for each investment application filed.

(b) A \$25 reporting fee is required for each investment adviser representative or associated person.

5. QUALIFICATION REQUIREMENTS:

The applicant and each investment adviser representative (IAR) or associated person thereof shall qualify by passing the examinations as specified in California Code of Regulations, 10 CCR Section 260.236(a)(1). An investment adviser and each IAR or associated person thereof (as defined in Section 25009.5 of the Code) must:

(1) have successfully passed the Series 65/Uniform Investment Adviser Law Examination ("Series 65 Examination") or the Series 66/Uniform Combined State Law Examination ("Series 66 Examination"), both of which are administered by the National Association of Securities Dealers Regulation, within two years prior to the date of filing the application for an investment adviser's certificate or becoming engaged as an investment adviser representative or associated person, AND either:

(A) have successfully passed the Series 7/General Securities Representative Examination, which is administered by the National Association of Securities Dealers Regulation, Inc., within two years prior to the date of filing the application for an investment adviser's certificate or becoming engaged as an investment adviser representative or associated person, or

(B) hold, in good standing, one of the following designations:

Chartered Financial Analyst ("CFA"); Chartered Financial Consultant ("ChFC"); Certified Financial Planner ("CFP"); Chartered Investment Counselor ("CIC"); Personal Financial Specialist ("PFS"); or

(2) have been actively and continuously engaged in the securities business as a broker-dealer, an agent of a broker-dealer, an investment adviser, or an investment adviser representative or associated person, or has been employed in a similar capacity in the banking or insurance industries, without substantial interruption since passing the qualifying examination(s).

Exemptive Provision: Section 260.236(c) provides an exemption from the qualifying examination requirement for any applicant or investment adviser representative or associated person who has been actively engaged as a portfolio manager or securities analyst for three or more years of the five-year period immediately preceding the date of filing an application or becoming engaged as an investment adviser representative or associated person or any investment adviser representative or associated person employed by the investment adviser only to offer or negotiate for the sale of investment advisory services of the investment adviser.

Grandfather Clause: CCR Section 260.236(b) says the Series 65 Examination and the Series 66 Examination requirements under CCR Section 260.236(a)(1) shall not apply to: (1) an investment adviser issued a certificate, or applicants that filed an application for a certificate, before January 1, 1998, or (2) an investment adviser representative or associated persons that became engaged with an investment adviser before January 1, 1998.

Applicants that must satisfy the qualification requirements set forth under CCR Section 260.236 can apply for the General Securities Registered Representative ("Series 7 Examination") by filing the Uniform Examination Request for Non-NASDR Candidates ("Form U-10") with the National Association of Securities Dealers Regulation, Inc. ("NASDR") at 9513 Key West Avenue, Rockville, MD 20850. Before the Department will approve entry to the Series 7, an application for an investment adviser certificate and a copy of Form U-10 must be on file with this Department. The following language must be included (*type written*) on Form U-10:

"California requires this examination for investment adviser certification or qualification as an investment adviser associated person. I am only applying for investment adviser certification or qualification as an associated person."

Failure to include this language may result in the rejection of your request for examination.

6. CAPITAL REQUIREMENTS:

Section 260.237.1 imposes limitations on minimum capital and specified debt to capital ratios on investment advisers with its principal place of business in California who (i) take any power of attorney from any investment advisory client to execute transactions, or (ii) have regular or periodic custody of any investment advisory client's securities or funds, or (iii) receive fees for periodic publications or other investment advisory services paid six months or more in advance of the services. Investment advisers with its principal place of business in a state

other than California must be in compliance with the capital requirements of the state in which the investment adviser has its principal place of business.

7. SUBMISSION OF AN APPLICATION MUST INCLUDE:

(a) A complete and properly executed application on Form ADV (Uniform Application for Investment Adviser Registration) prepared in accordance with instructions contained thereon in the [Department's Instructions for Completing and Filing Application on Form ADV \(Rule 260.231\)](#).

(b) Schedule D of Form ADV for each investment adviser representative and associated person. Each Schedule D shall be completed in its entirety and submitted with the appropriate fee. Please note: Item 7 of Schedule D shall include a description of the examination(s) completed or designation(s) held that satisfy the qualification requirements. If the exemption set forth under Section 260.236(c)(1) is being claimed, Item 6 of Schedule D must show that he or she meets the requirements of the exemption. Multiple IAR FILINGS shall be accompanied by a list identifying each investment adviser representative and associated person. This list must include the complete name and social security number or Central Registration Depository ("CRD") number of each investment adviser representative and associated person and how they meet the qualification requirements set forth under Section 260.236.

(c) A copy of the statement to be given to each client as required by Rule 260.235.2 disclosing that (i) a conflict exist between the interests of the applicant or associated person and the interest of the client, (ii) the client is under no obligation to act upon the applicant's or associated person's recommendation, and (iii) if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the applicant, affiliate or associated person. This statement is required if the applicant will be engaged in "financial planning activities" and will receive fees or an affiliate or associated person will receive fees or other compensation from the sale of products or services recommended in the financial plan.

(d) All items listed in Part III of the Instructions for Completing and Filing Application on Form ADV (Form 260.231).

PROMPT RESPONSE TO ANY REQUEST MADE BY THE DEPARTMENT FOR ADDITIONAL INFORMATION OR DOCUMENTS PERTINENT TO THE APPLICATION IS IMPERATIVE. FAILURE TO SUBMIT THE REQUESTED INFORMATION WITHIN A REASONABLE TIME MAY CAUSE THE APPLICATION TO BE ABANDONED.